



Financial Statements and Supplementary
Information as of June 30, 2011 and for the Period
From June 16, 2009 (Date of Incorporation)
Through June 30, 2011, and Independent Auditors'
Reports

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**



INSPIRE CHARTER ACADEMY
A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

INSPIRE CHARTER ACADEMY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Inspire Charter Academy

We have audited the accompanying statement of financial position of Inspire Charter Academy (a nonprofit organization, the Academy) as of June 30, 2011, and the related statements of activities and cash flows for the period June 16, 2009 (the date of incorporation) through June 30, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Schedule of Functional Expenses of National Heritage Academies, Inc. for Inspire Charter Academy for the period June 16, 2009 through June 30, 2011 presented as supplemental information. That schedule was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts reported as Contributions from National Heritage Academies, Inc. of \$685,238 and Costs of operating the school in excess of the contracted services fee of \$650,238 within the statements of activities and cash flows, is based upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Inspire Charter Academy as of June 30, 2011, and the changes in its net assets and its cash flows for the period June 16, 2009 through June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses of National Heritage Academies, Inc. for Inspire Charter Academy on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. That schedule was audited by other auditors whose report expressed an unqualified opinion.

Postllhwaite & Nettenville

Baton Rouge, LA
December 30, 2011

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA
Statement of Financial Position
June 30, 2011**

ASSETS

Current Assets

Cash and cash equivalents	\$ 19,967
Due from governmental revenue sources	<u>795,027</u>
Total Current Assets	<u>814,994</u>

Non-current Assets

Capital assets	12,065
Less accumulated depreciation	<u>(1,307)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>10,758</u>

TOTAL	<u>\$ 825,752</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Contracted service fee payable	\$ 795,027
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NET ASSETS - Unrestricted	<u>30,725</u>
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TOTAL	<u>\$ 825,752</u>
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See notes to financial statements.

INSPIRE CHARTER ACADEMY**BATON ROUGE, LOUISIANA****Statement of Activities****For the Period June 16, 2009 (Date of Incorporation) Through June 30, 2011**

REVENUES, GAINS AND OTHER SUPPORT.

State aid	\$ 4,325,078
Federal sources	739,981
Private sources	256,271
Contribution from National Heritage Academies, Inc	<u>685,238</u>

Total revenues, gains and other support	<u>6,006,568</u>
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EXPENSES

Contracted services fee	5,309,265
Costs of operating the school in excess of the contracted services fee	650,238
Expenses of the board of directors	15,033
Depreciation	<u>1,307</u>

Total expenses	<u>5,975,843</u>
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CHANGE IN NET ASSETS	30,725
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NET ASSETS

Beginning of Period	<u>-</u>
End of Period	<u>\$ 30,725</u>

See notes to financial statements.

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

Statement of Cash Flows

For the Period June 16, 2009 (Date of Incorporation) Through June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

State aid	\$ 3,850,208
Federal sources	419,824
Private sources	256,271
Payments for services rendered	<u>(4,494,271)</u>

Net cash provided by operating activities 32,032

CASH FLOWS USED IN INVESTING ACTIVITIES - Purchase of Capital Assets (12,065)

NET INCREASE IN CASH 19,967

CASH - Beginning of Period -

CASH - End of Period \$ 19,967

**RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED
BY OPERATING ACTIVITIES.**

Change in net assets	\$ 30,725
Depreciation expense	1,307
Adjustments to reconcile change in net assets to net cash provided by operating activities.	
Change in due from governmental revenue sources	(795,027)
Change in contracted service fee payable	<u>795,027</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 32,032

NON-CASH ACTIVITIES:

Contribution from National Heritage Academies, Inc.	<u>\$ 685,238</u>
State Aid withheld by East Baton Rouge School Board for legacy retiree health costs	<u><u>\$ 116,600</u></u>

See notes to financial statements.

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

1. NATURE OF OPERATIONS

Inspire Charter Academy (the "Academy" or the "School") was incorporated on June 16, 2009 as a non-profit corporation under the laws of the State of Louisiana and began operations on July 1, 2010 as a public charter school as defined by the Charter School Demonstration Programs Law, La. R.S. 17:3971 et seq. The Academy provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy operates under a charter approved by the East Baton Rouge Parish School Board, which is responsible for oversight of the Academy's operations. The charter expires June 30, 2015 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The Academy provides education, at no cost to the parent, to students in kindergarten through the fifth grade. The Academy's plans are to expand one grade per year until reaching eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School has applied to the Internal Revenue Service for recognition of its exemption from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The Academy's primary source of revenue is provided by the State of Louisiana through its Minimum Foundation Program (MFP) and consists of an amount per student multiplied by weighted average student counts. The state revenue, which passes through the East Baton Rouge Parish School Board, is recognized ratably over the school year and is funded through payments from July 2010 through June 2011.

The Board of Directors of the Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. The Contribution from National Heritage Academies, Inc. represents a contribution granted by NHA for the excess of Academy expenditures over public revenues available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements of the Academy are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — Cash as of June 30, 2011, represents bank deposits which are covered by federal depository insurance.

Capital Assets — Capital assets consist of equipment and other property purchased with the proceeds of federal grants with a cost of \$5,000 or more, title to which is retained by the Academy. All other property and equipment used by the Academy is the property of NHA. Capital assets are depreciated over five years.

The Financial Statements—The financial statements are presented as follows.

Net assets and changes therein are classified and reported as follows:

- **Unrestricted net assets**—Net assets which are not subject to donor imposed or governmental stipulations. Included in unrestricted net assets are net assets which have been designated by the board for certain projects. All net assets as of June 30, 2011 are considered to be unrestricted.
- **Temporarily restricted net assets**—Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Board and/or the passage of time.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions, which are more narrow than the mission of the organization. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. For the year ended June 30, 2011, all revenue sources were unrestricted.

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Academy operates as a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy has applied to the Internal Revenue Service ("IRS") for recognition of its tax exempt status. The Academy believes it will receive a favorable determination letter from the IRS.

The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

3. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2011, and claims did not exceed coverage less retained risk deductible amounts in the period ended June 30, 2011.

4. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

The East Baton Rouge Parish School Board (School Board) withheld from the Academy's MFP revenue approximately \$116,600, or \$788 per student, as reimbursement for legacy costs pertaining to retiree health insurance. The School Board has ceased such withholdings as of June 30, 2011, but has indicated that the issue of withholding may be readdressed in the future.

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

5. CAPITAL ASSETS

Capital asset activity of the Academy was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets -				
Other equipment	<u>\$ -</u>	<u>\$ 12,065</u>	<u>\$ -</u>	<u>\$ 12,065</u>
Total capital assets at historical cost	<u>-</u>	<u>12,065</u>	<u>-</u>	<u>12,065</u>
Less accumulated depreciation -				
Other equipment	<u>-</u>	<u>1,307</u>	<u>-</u>	<u>1,307</u>
Total accumulated depreciation	<u>-</u>	<u>1,307</u>	<u>-</u>	<u>1,307</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 10,758</u>	<u>\$ -</u>	<u>\$ 10,758</u>

6. OPERATING LEASE

The Academy has entered into a sub-lease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2010 through June 30, 2015. Annual rental payments required by the lease are \$1,041,120, payable in twelve monthly payments of \$86,760.

7. COMPENSATION OF BOARD OF DIRECTORS

All members of the Board of Directors serve as volunteers without compensation. By resolution of the Board, Directors may be reimbursed for their reasonable expenses incident to their duties in accordance with applicable laws.

8. SUBSEQUENT EVENTS

Events or transactions occurring after the balance sheet date, have been evaluated through December 30, 2011, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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SUPPLEMENTAL INFORMATION

INSPIRE CHARTER ACADEMY**BATON ROUGE, LOUISIANA****Schedule of Functional Expenses of National Heritage Academies, Inc. for Inspire Charter Academy****For the Period June 16, 2009 (Date of Incorporation) Through June 30, 2011**

	Program Services	Supporting Services	
	Regular and Special Education	Management and General	Total
Instruction			
Regular Education Programs	\$ 2,135,745	\$ -	\$ 2,135,745
Special Education Programs	66,153	-	66,153
Other Instructional Programs	142,342	-	142,342
Support Services			
Pupil Support Services	72,549	-	72,549
Instructional Staff Services	393,899	55,155	449,054
General Administration	104,765	261,342	366,107
School Administration	485,587	57,657	543,244
Business Services	-	89,383	89,383
Operations and Maintenance	1,433,741	-	1,433,741
Central Services	-	267,405	267,405
Other Support Services	-	11,374	11,374
Food Services	354,329	-	354,329
Facilities Acquisition	-	43,110	43,110
Depreciation Expense	<u>1,307</u>	<u>-</u>	<u>1,307</u>
 Total Expenses	 <u>\$ 5,190,417</u>	 <u>\$ 785,426</u>	 <u>\$ 5,975,843</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Inspire Charter Academy
Baton Rouge, Louisiana

We have audited the Statement of Financial Position of the Inspire Charter Academy, a non-profit corporation (the Academy), as of June 30, 2011 and the related Statements of Activities and Cash Flows for the period ended June 30, 2011, and have issued our report thereon dated December 30, 2011 which includes a reference to the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected, and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Inspire Charter Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Academy, federal and state awarding agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Nettemille

Baton Rouge, Louisiana
December 30, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Inspire Charter Academy
Baton Rouge, Louisiana

Compliance

We have audited the compliance of the Inspire Charter Academy, a non-profit corporation (the Academy), with the types of compliance requirements described in the U S Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Academy's compliance with those requirements.

In our opinion the Inspire Charter Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. *A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the Statement of Financial Position of the Academy, as of June 30, 2011 and the related Statements of Activities and Cash Flows for the period June 16, 2009 through June 30, 2011, and have issued our report thereon dated December 30, 2011, which contained an unqualified opinion on those financial statements and which contained a reference to the report of other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Academy, federal and state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Nettenville

Baton Rouge, Louisiana
December 30, 2011

INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Period June 16, 2009 (Date of Incorporation) Through June 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Award Number	CFDA Number	Federal Expenditures
United States Department of Education (Passed through the East Baton Rouge Parish School Board) Title I Grants to Local Educational Agencies	N/A	84 010	\$ 137,299
(Passed through the Louisiana Department of Education) Charter School Grant	U282A090015	84 282	383,178
Department of Agriculture (Passed through the East Baton Rouge Parish School Board) National School Lunch Program	N/A	10 555	<u>219,504</u>
Total			<u>\$ 739,981</u>

See notes to the Schedule of Expenditures of Federal Awards

INSPIRE CHARTER ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

A. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards is presented in accordance with the U.S. Office of Management and Budget ("OMB") Circular A-133 and is prepared using the modified accrual basis of accounting. That basis of accounting differs from the accrual basis of accounting which is used to prepare the accompanying financial statements in accordance with generally accepted accounting principles.

B. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

Since revenues are recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenue reported in the accompanying financial statements.

INSPIRE CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

PART I—SUMMARY OF AUDITORS' RESULTS

A Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting.	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements?	No

B Federal Awards

Internal control over major state programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
U S Department of Education— Charter School Grant	84 282
Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
Auditee qualified as low risk?	No

INSPIRE CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011 (CONTINUED)

PART II—FINANCIAL STATEMENTS FINDINGS

Findings relating to financial statements, which are required to be reported in accordance with *Government Auditing Standards*

No matters were reported.

PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CFDA # 84.282 Charter School Grant, Award # U282A090015

2011 – 1 Reporting

<u>Criteria</u>	Reimbursement requests prepared by grantee organizations should be complete and accurate
<u>Condition(s)</u>	<p>Based on testing performed, it was noted that direct costs associated with the charter school grant were submitted for reimbursement twice. In addition, manual adjustments made to correct costs charged to the grant were entered incorrectly. Instead of reducing the amount requested, as intended, the manual entry submitted the costs a second time. The duplication of costs was not discovered by the Academy until a subsequent review was performed near the close of the grant period. In response to the discovery and in preparation of the third reimbursement request, manual entries were made to correct the mistakes, true up the costs, and ensure the total amount requested over the life of the grant did not exceed the actual direct costs of the grant.</p> <p>The Academy did not inform the Louisiana Department of Education (its oversight agency) in accordance with their established policy.</p>
<u>Cause</u>	<p>A cursory review of the reimbursement requests is performed prior to the submission of the reimbursement request, however, this review does not specifically review manual entries or transactions which may have occurred outside the established processes prior to the submission of the reimbursement request to the granting agency.</p> <p>Under the current established processes, the grant accountant prepares the reimbursement request from a system generated expense report relying upon the system controls over the billing feature of the accounting system to ensure only paid (billed) costs are submitted for reimbursement. The first monthly reimbursement request was prepared outside of the normal processes established by the Academy. As initial costs incurred prior to the start of operations were accumulated as prepaid expenses in the accounting system, those expenditures</p>

INSPIRE CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011 (CONTINUED)

2011 – 1 Reporting (continued)

were not marked “billed” when moved to the appropriate expenditure account resulting in the costs being requested twice.

Effect Without proper manual procedures in place to ensure costs submitted for reimbursement are not duplicated or properly reported in a timely manner, the Academy may inadvertently request funds for which they are not entitled.

Questioned Costs None

Recommendation Additional procedures in the review process of the reimbursement requests should be enhanced to address manual entries or adjustments which are not run through the billing features of the accounting system. In addition, the Academy should contact the Louisiana Department of Education and notify them of the corrections to the amounts which have been previously submitted for reimbursement.

View of Responsible Official and Planned Corrective Action:

Inspire Charter Academy has contracted with National Heritage Academies, Inc. (“NHA”) for management of the Academy, including the preparation of grant reimbursement requests.

While NHA concurs with the finding, NHA believes that the error was the result of the use of an atypical, manual process due to the timing of the reimbursement requests during the start-up phase of the Academy. NHA believes that the normal process in place is adequate to prevent double billing of expenditures.

For those reimbursement requests prepared outside of the normal process, NHA will ensure that an additional review procedure is in place to prevent similar errors in the future. Additionally, NHA will contact the Louisiana Department of Education and will notify them of the corrections made in the final reimbursement request submitted for the grant. This corrective action will be taken by February 28, 2012.

INSPIRE CHARTER ACADEMY

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011

PART I—FINANCIAL STATEMENTS FINDINGS

Findings relating to financial statements, which are required to be reported in accordance with *Government Auditing Standards*.

Not applicable This is the first period audited.

PART II—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable This is the first period audited



Schedule of Functional Expenses for the Period
From June 16, 2009 (Date of Incorporation)
Through June 30, 2011, and Independent Auditors'
Reports



INSPIRE CHARTER ACADEMY
A PUBLIC CHARTER SCHOOL, MANAGED BY NATIONAL HERITAGE ACADEMIES

INSPIRE CHARTER ACADEMY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Heritage Academies, Inc
Grand Rapids, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of National Heritage Academies, Inc and Subsidiaries (the "Company") for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 30, 2011. We have also audited the attached schedule of functional expenses ("schedule of functional expenses") for the operations of Inspire Charter Academy (the "Academy") for the period from June 16, 2009 (Date of Incorporation) through June 30, 2011. This schedule of functional expenses is the responsibility of the Company's management. Our responsibility is to express an opinion on such schedule of functional expenses based on our audit.

We conducted our audit of schedule of functional expenses in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of functional expenses is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures related to the schedule of functional expenses, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of functional expenses. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of functional expenses is presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

December 21, 2011

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

**SCHEDULE OF FUNCTIONAL EXPENSES OF NATIONAL HERITAGE ACADEMIES, INC.
FOR INSPIRE CHARTER ACADEMY
FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Regular and Special</u>	<u>Management</u>	
	<u>Education</u>	<u>and General</u>	<u>Total</u>
Instruction			
Regular Education Programs	\$ 2,135,745	\$ -	\$ 2,135,745
Special Education Programs	66,153	-	66,153
Other Instructional Programs	142,342	-	142,342
Support Services			
Pupil Support Services	72,549	-	72,549
Instructional Staff Services	393,899	55,155	449,054
General Administration	104,765	261,342	366,107
School Administration	485,587	57,657	543,244
Business Services	-	89,383	89,383
Operations and Maintenance	1,433,741	-	1,433,741
Central Services	-	267,405	267,405
Other Support Services	-	11,374	11,374
Food Services	354,329	-	354,329
Facilities Acquisition	-	43,110	43,110
Depreciation Expense	<u>1,307</u>	<u>-</u>	<u>1,307</u>
Total Expenses	<u>\$ 5,190,417</u>	<u>\$ 785,426</u>	<u>\$ 5,975,843</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
National Heritage Academies, Inc
Grand Rapids, MI

We have audited the financial statements of National Heritage Academies, Inc and Subsidiaries (the "Company") for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 30, 2011. We have also audited the schedule of functional expenses ("schedule of functional expenses") for the operations of Inspire Charter Academy ("the Academy") for the period from June 16, 2009 (Date of Incorporation) through June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's schedule of functional expenses is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of National Heritage Academies, management of Inspire Charter Academy, the Louisiana Department of Education, the Louisiana Legislature and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

December 21, 2011



Schedules Required by Louisiana State Law (R.S. 24:514 Performance and Statistical Data) and Independent Accountant's Report on Applying Agreed-Upon Procedures



INSPIRE CHARTER ACADEMY
A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

INSPIRE CHARTER ACADEMY

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**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 – PERFORMANCE AND STATISTICAL DATA)**



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
National Heritage Academies, Inc and Subsidiaries
Grand Rapids, Michigan

We have performed the procedures enumerated below, which were agreed to by National Heritage Academies, Inc and Subsidiaries (the "Company") solely to assist you with respect to the Company's preparation of certain schedules required by Louisiana State Law (R S 24 514 Performance and Statistical Data) relating to Inspire Charter Academy for the period

The Company's management is responsible for its accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues were classified correctly and were reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures,
- Total General Fund Equipment Expenditures,
- Total Local Taxation Revenue,
- Total Local Earnings on Investments in Real Property,
- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue

Exception noted: None

Education Levels of Public School Staff (Schedule 2)

- 2 We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Deans, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per Schedule 2 and to school board supporting payroll records as of October 1st

Exception noted None

- 3 We reconciled the combined total of principals and deans per the schedule "Experience of Public Principals, Deans, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and deans per Schedule 3

Exception noted None

- 4 We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule We traced a random sample of 25 teachers to the individual's personnel file maintained by the company and determined if the individual's education level was properly reported on the schedule

Exception noted Based on a review of the individual's personnel file, four of the nine individuals shown on the schedule as having been awarded a Masters degree had only been awarded a Bachelors degree Additionally one individual shown on the schedule as having been awarded a Doctorate had only been awarded a Masters degree As part of Management's response to this finding Schedule 2 has been updated to reflect the appropriate education levels as reported herein

Management response Inspire Charter Academy has contracted with National Heritage Academies, Inc ("NHA") to provide all management services, including human resource functions NHA has identified the cause of this error to be due to the Human Resources technology system the system recognized and reported degrees "in progress" as degrees having been received This technology issue was corrected in December 2011 While the issue has been corrected going forward, NHA is unable to amend the October 1, 2011 Professional Education Personnel (PEP) data that was previously submitted NHA will issue a letter outlining the issue and corrective actions needed to the East Baton Rouge Parish (EBR) in hopes that EBR (as the official submitter of PEP data on behalf of Inspire Charter Academy) will be able to amend the data prior to final submission This letter will be sent no later than January 2012

Number and Type of Public Schools (Schedule 3)

- 5 We obtained a list of schools by type as reported on Schedule 3 We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84 010) application and/or the National School Lunch Program (CFDA 10 555) application

Exception noted None

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

- 6 We obtained a list of full-time teachers, principals, and deans by classification as of October 1 and as reported on Schedule 4 and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule

Exception noted None

Public School Staff Data: Average Salaries (Schedule 5)

- 7 We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on Schedule 5 and traced a random sample of 25 teachers to the individual's personnel file and determined if amounts showing for individual's salary, extra compensation, and full-time equivalents were properly included on Schedule 5

Exception noted None

- 8 We recalculated the average salaries and full-time equivalents reported in the Schedule 5

Exception noted None

Class Size Characteristics (Schedule 6)

- 9 We obtained a list of classes by school, school type, and class size as reported on Schedule 6 and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5 We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule

Exception noted None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

- 10 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in Schedule 7 by Inspire Charter Academy

Exception noted None

Graduation Exit Examination (GEE) (Schedule 8)

- 11 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in Schedule 8 by Inspire Charter Academy

Exception noted None

iLEAP Tests (Schedule 9)

- 12 We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in Schedule 9 by Inspire Charter Academy

Exception noted None

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items Accordingly, we do not express such an opinion Had we performed additional procedures, other matters might have come to our attention that would have been reported to you

This report is intended solely for the information and use of management of Inspire Charter Academy, the Louisiana Department of Education, the Louisiana Legislature and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dubois & Touche LLP

December 21, 2011

INSPIRE CHARTER ACADEMY

Schedules Required by Louisiana State Law

(R.S. 24 514 – Performance and Statistical Data)

As of June 30, 2011 and for the Period July 1, 2010 (Commencement of Operations) through June 30, 2011

Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 – Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and deans with less than a Bachelor's, Master's, Master's + 30, Specialist in Education, and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 – Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 – Experience of Public Principals, Deans, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, deans, and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 – Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33 and 34+ students.

Schedule 7 – Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

Schedule 8 – Graduation Exit Exam

Not applicable

Schedule 9 – iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes one year of data.

INSPIRE CHARTER ACADEMY

Schedule 1

BATON ROUGE, LOUISIANA

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

For the Period July 1, 2010 (Commencement of Operations) Through June 30, 2011

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 866,735
Other Instructional Staff Salaries	70,610
Instructional Staff Employee Benefits	444,606
Purchased Professional and Technical Services	221,566
Instructional Materials and Supplies	225,495
Instructional Equipment	<u>167,905</u>

Total Teacher and Student Interaction Activities \$ 1,996,917

Other Instructional Activities 16,825

Pupil Support Services 23,228

Less Equipment for Pupil Support Services -

Net Pupil Support Services 23,228

Instructional Staff Services 373,147

Less Equipment for Instructional Staff Services (2,829)

Net Instructional Staff Services 370,318

School Administration 538,580

Less Equipment for School Administration -

Net School Administration 538,580

Total General Fund Instructional Expenditures \$ 2,945,868

Total General Fund Equipment Expenditures \$ 180,327

Certain Local Revenue Sources

Local Taxation Revenue

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes	-
Other than School Taxes	-
Sales and Use Taxes	<u>-</u>

Total Local Taxation Revenue \$ -

Local Earnings on Investment in Real Property

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	<u>-</u>

Total Local Earnings on Investments in Real Property \$ -

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	<u>-</u>

Total State Revenue in Lieu of Taxes \$ -

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

See independent accountant's report on applying agreed upon procedures

INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2010

Schedule 2

Category	Full Time Classroom Teachers				Principals & Deans			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	0%	-	-	-	0%	-	-
Bachelor's Degree	15	71%	-	-	-	0%	-	-
Master's Degree	6	29%	-	-	4	100%	-	-
Master's Degree + 30	-	0%	-	-	-	0%	-	-
Specialist in Education	-	0%	-	-	-	0%	-	-
Ph D or Ed D	-	0%	-	-	-	0%	-	-
Total	21	100%	-	-	4	100%	-	-

See independent accountant's report on applying agreed upon procedures

INSPIRE CHARTER ACADEMY**Schedule 3****BATON ROUGE, LOUISIANA****Number and Type of Public Schools****For the Period July 1, 2010 (Commencement of Operations) Through June 30, 2011**

Type	Number
Elementary	1
Middle/Jr High	-
Secondary	-
Combination	-
Total	1

See independent accountant's report on applying agreed upon procedures

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA
Experience of Public Principals, Deans,
and Full Time Classroom Teachers
As of October 1, 2010**

Schedule 4

	0 - 1 Yr	2 - 3 Yrs	4 - 10 Yrs	11 - 14 Yrs	15 - 19 Yrs	20 - 24 Yrs	25+ Yrs	Total
Principals	1			1				2
Deans			1	1				2
Classroom Teachers	9	7	3	2				21
Total	10	7	4	4	0	0	0	25

See independent accountant's report on applying agreed upon procedures

INSPIRE CHARTER ACADEMY**Schedule 5****BATON ROUGE, LOUISIANA****Public School Staff Data****For the Period July 1, 2010 (Commencement of Operations) Through June 30, 2011**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$43,436 80	\$43,436 80
Average Classroom Teachers' Salary Excluding Extra Compensation	\$42,607 26	\$42,607 26
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	22	22

See independent accountant's report on applying agreed upon procedures

INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA
Class Size Characteristics
As of October 1, 2010

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 25		27 - 33		34 +	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	12%	2	59%	10	29%	5*	0%	-

* 4 of the classrooms in the 27 - 33 student range had 27 students each, and 1 classroom had 28 students

See independent accountant's report on applying agreed upon procedures

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**
Louisiana Educational Assessment Program (LEAP)
For the Period July 1, 2010 (Commencement of Operations) Through June 30, 2011

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2010		2009		2008		2010		2009		2008		2010		2009		2008		2010		2009		2008	
	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%
Grade 4																								
Advanced	1	1%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A
Mastery	10	10%	N/A	N/A	N/A	N/A	3	3%	N/A	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A
Basic	38	39%	N/A	N/A	N/A	N/A	34	34%	N/A	N/A	N/A	N/A	22	22%	N/A	N/A	N/A	39	39%	N/A	N/A	N/A	N/A	N/A
Approaching Basic	26	26%	N/A	N/A	N/A	N/A	37	37%	N/A	N/A	N/A	N/A	49	50%	N/A	N/A	N/A	28	28%	N/A	N/A	N/A	N/A	N/A
Unsatisfactory	24	24%	N/A	N/A	N/A	N/A	26	26%	N/A	N/A	N/A	N/A	28	28%	N/A	N/A	N/A	33	33%	N/A	N/A	N/A	N/A	N/A
Total	99	100%	N/A	N/A	N/A	N/A	100	100%	N/A	N/A	N/A	N/A	99	100%	N/A	N/A	N/A	100	100%	N/A	N/A	N/A	N/A	N/A

See independent accountant's report on applying agreed upon procedures

INSPIRE CHARTER ACADEMY

Schedule 8

BATON ROUGE, LOUISIANA

Graduation Exit Exam

For the Period July 1, 2010 (Commencement of Operations) Through June 30, 2011

Inspire Charter Academy is an elementary school, therefore this schedule does not apply

INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA
ILEAP Test Results
For the Period July 1, 2010 (Commencement of Operations) Through June 30, 2011

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2010		2009		2008		2010		2009		2008		2010		2009		2008		2010		2009		2008	
	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%
Students																								
Grade 3																								
Advanced	0	0%	N/A	N/A	N/A	N/A	4	8%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A
Mastery	6	6%	N/A	N/A	N/A	N/A	4	8%	N/A	N/A	N/A	N/A	4	4%	N/A	N/A	N/A	N/A	4	4%	N/A	N/A	N/A	N/A
Basic	39	39%	N/A	N/A	N/A	N/A	42	41%	N/A	N/A	N/A	N/A	29	29%	N/A	N/A	N/A	N/A	38	37%	N/A	N/A	N/A	N/A
Approaching Basic	25	25%	N/A	N/A	N/A	N/A	16	16%	N/A	N/A	N/A	N/A	31	31%	N/A	N/A	N/A	N/A	25	25%	N/A	N/A	N/A	N/A
Unsatisfactory	30	30%	N/A	N/A	N/A	N/A	35	35%	N/A	N/A	N/A	N/A	36	36%	N/A	N/A	N/A	N/A	34	34%	N/A	N/A	N/A	N/A
Total	100	100%	N/A	N/A	N/A	N/A	101	100%	N/A	N/A	N/A	N/A	100	100%	N/A	N/A	N/A	N/A	101	100%	N/A	N/A	N/A	N/A

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2010		2009		2008		2010		2009		2008		2010		2009		2008		2010		2009		2008	
	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%	Nbr	%
Students																								
Grade 5																								
Advanced	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A
Mastery	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A
Basic	21	21%	N/A	N/A	N/A	N/A	21	21%	N/A	N/A	N/A	N/A	3	3%	N/A	N/A	N/A	N/A	31	31%	N/A	N/A	N/A	N/A
Approaching Basic	52	51%	N/A	N/A	N/A	N/A	45	45%	N/A	N/A	N/A	N/A	72	73%	N/A	N/A	N/A	N/A	45	45%	N/A	N/A	N/A	N/A
Unsatisfactory	28	28%	N/A	N/A	N/A	N/A	34	34%	N/A	N/A	N/A	N/A	24	24%	N/A	N/A	N/A	N/A	24	24%	N/A	N/A	N/A	N/A
Total	101	100%	N/A	N/A	N/A	N/A	100	100%	N/A	N/A	N/A	N/A	99	100%	N/A	N/A	N/A	N/A	100	100%	N/A	N/A	N/A	N/A

See independent accountant's report on applying agreed upon procedures



Schedule of Functional Expenses for the Period
From June 16, 2009 (Date of Incorporation)
Through June 30, 2011, and Independent Auditors'
Reports



INSPIRE CHARTER ACADEMY
A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

INSPIRE CHARTER ACADEMY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Heritage Academies, Inc
Grand Rapids, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of National Heritage Academies, Inc and Subsidiaries (the "Company") for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 30, 2011. We have also audited the attached schedule of functional expenses for the operations of Inspire Charter Academy ("schedule of functional expenses") for the period from June 16, 2009 (Date of Incorporation) through June 30, 2011. This schedule of functional expenses is the responsibility of the Company's management. Our responsibility is to express an opinion on such schedule of functional expenses based on our audit.

We conducted our audit of schedule of functional expenses in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of functional expenses is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures related to the schedule of functional expenses, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of functional expenses. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of functional expenses is presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 21, 2011

**INSPIRE CHARTER ACADEMY
BATON ROUGE, LOUISIANA**

**SCHEDULE OF FUNCTIONAL EXPENSES OF NATIONAL HERITAGE ACADEMIES, INC.
FOR INSPIRE CHARTER ACADEMY
FOR THE PERIOD JUNE 16, 2009 (DATE OF INCORPORATION) THROUGH JUNE 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Regular and Special</u>	<u>Management</u>	<u>Total</u>
	<u>Education</u>	<u>and General</u>	
Instruction			
Regular Education Programs	\$ 2,135,745	\$ -	\$ 2,135,745
Special Education Programs	66,153	-	66,153
Other Instructional Programs	142,342	-	142,342
Support Services			
Pupil Support Services	72,549	-	72,549
Instructional Staff Services	393,899	55,155	449,054
General Administration	104,765	261,342	366,107
School Administration	485,587	57,657	543,244
Business Services	-	89,383	89,383
Operations and Maintenance	1,433,741	-	1,433,741
Central Services	-	267,405	267,405
Other Support Services	-	11,374	11,374
Food Services	354,329	-	354,329
Facilities Acquisition	-	43,110	43,110
Depreciation Expense	<u>1,307</u>	<u>-</u>	<u>1,307</u>
Total Expenses	<u>\$ 5,190,417</u>	<u>\$ 785,426</u>	<u>\$ 5,975,843</u>